



STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.bpu.state.nj.us

CLEAN ENERGY

IN THE MATTER OF THE
VOLUNTARY CLEAN POWER
CHOICE PROGRAM

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Order
Accepting Cost Estimates
for Deferred Accounting Treatment

DOCKET NO. EO0501001

(SERVICE LIST ATTACHED)

BY THE BOARD:

On February 9, 1999, the Electric Discount and Energy Competition Act, N.J.S.A. 48:3-49, et. seq. (EDECA or the Act) was signed into law. On January 28, 2003, Governor James E. McGreevey established the Renewable Energy Task Force by Executive Order. The Task Force was charged with advising the Governor and the Board of Public Utilities (BPU) on how to strengthen New Jersey's Renewable Portfolio Standard (RPS) for Class 1 renewable energy.

By Order Dated April 13, 2005, in the above-captioned matter the Board adopted a Final Approved Program for the Voluntary Clean Power Choice Program ("VCPC" or "Program") to promote and advance renewable energy in New Jersey consistent with the Board's policies. In that Order, the Board directed the Office of Clean Energy to elicit detailed estimates of baseline program implementation costs within 60 days of that Order and to track these costs quarterly as part of New Jersey's Clean Energy Program reporting. The Order also set forth a two-step process for the recovery of expenses. The first step authorizes "reasonable, prudent and incremental expenses" as incurred by Electric Distribution Companies ("EDCs") and gas utilities, consistent with Board Staff guidance, to be deemed eligible for deferred accounting treatment. The second step requires Board review and approval of those expenses, after which they may be recovered through the Demand Side Management Clean Energy Societal Benefits Charge. The Demand Side Management Societal Benefit Charges are now called New Jersey's Clean Energy Program Fund. The Program was assigned an October 1, 2005 launch date. However, the Order also set forth a process by which an EDC might request a waiver from the Board for a

revised Program launch date, provided it can demonstrate appropriate justification for such relief.

The Board approved PSE&G's and JCP&L's cost estimates for deferred accounting, and allowed the program to commence on October 1, 2005. The Board also approved requests for waivers of the October 1, 2005 launch date from Rockland Electric Company ("RECO") and Atlantic City Electric ("ACE"), pending further analysis of the submitted cost estimates. This further analysis has lead Staff to conclude that the RECO's and ACE's revised cost estimates are in line with necessary system upgrades to allow for consolidated billing and a program launch by April 1, 2006.

DISCUSSION

As stated above, two of the utilities submitting VCPC cost estimates, RECO and ACE, also requested start date waivers. In support of these requests, RECO cited the need to alter its Customer Information Management Systems ("CIMS"), Retail Access Information System ("RAIS"), and Electronic Data Interchange System ("EDI"), while ACE cited the need to alter its billing systems and complete EDI testing protocols. Each utility also set forth a detailed explanation as to why necessary changes could not be made in time to ensure compliance with the October 1, 2005 launch date.

Upon review of the initial cost estimate of \$2,376,000 for baseline program implementation submitted by ACE, the OCE found these costs to be above expectations but plausible, given the complexity of operations spanning multiple states, and the older CIMS and billing systems in use. OCE requested additional detail from ACE and retained a private EDI consultant, George M. Behr, to review these estimates for reasonableness. After further review of necessary system upgrades, ACE submitted a revised cost estimate of \$1,769,120, which was found by the consultant to be in line with the necessary system upgrades. Staff thus recommends that the Board accept ACE's revised cost estimate of \$1,769,120 as reasonable and eligible for deferred accounting.

Upon review of the initial cost estimate of \$1,315,208 for baseline program implementation submitted by RECO, the Office of Clean Energy ("OCE") also determined these costs to be above expectations but plausible, given the complexity of operations spanning multiple states, and the older CIMS and billing systems in use. OCE again requested additional detail to permit further review by the EDI consultant. Upon review of the necessary system upgrades of RECO's billing system, the consultant found the original cost projections to be reasonable. Upon review of the necessary system upgrades, RECO has submitted a revised cost estimate of \$1,037,000.00 which is lower than its original cost estimate. Staff therefore recommends that the Board accept RECO's revised cost estimate of \$1,037,000.00, as reasonable and eligible for deferred accounting.

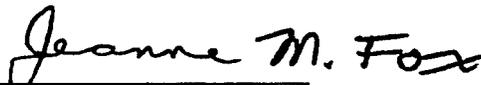
FINDINGS AND CONCLUSIONS

Staff recommends that the revised cost estimates submitted by RECO and ACE for the launch of the Clean Power Choice Program, with a revised Program launch date of April 1, 2006, be deemed eligible for deferred accounting treatment. The Board also

HEREBY ADOPTS Staff's recommendation that the submitted and attached cost estimates be deemed eligible for deferred accounting treatment, subject to modification, if necessary, and subject to further review in a future rate related proceeding. The Board also DIRECTS Staff to confer with any utilities administering the VCPC to review the aforementioned cost estimates and to quantify, *inter alia*, the extent to which the expenditures result in benefits to ratepayers outside the State of New Jersey. The Board HEREBY DIRECTS ACE and RECO to submit actual costs for baseline program implementation within 60 days of this Order and then on a quarterly basis thereafter along with all participating EDCs.

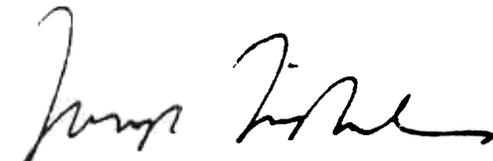
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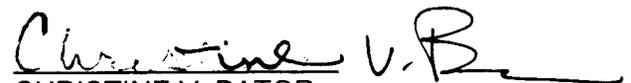
BOARD OF PUBLIC UTILITIES
BY:


JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER


CONNIE O. HUGHES
COMMISSIONER

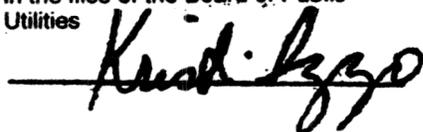

JOSEPH L. FIORDALISO
COMMISSIONER


CHRISTINE V. BATOR
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities



Board of Public Utilities
Clean Power Choice Program
Service List

BPU STAFF

Michael Winka
Office of Clean Energy
Board of Public Utilities
P.O. Box 350
Trenton, New Jersey 08625-0350

Shauna Jackson
Office of Clean Energy
Board of Public Utilities
2 Gateway Center
Newark, NJ 07102

Anne Marie McShea
Office of Clean Energy
Board of Public Utilities
P.O. Box 350
Trenton, New Jersey 08625-0350

Kenneth Welch
Office of Clean Energy
Board of Public Utilities
P.O. Box 350
Trenton, New Jersey 08625-0350

Peter Yochum
Office of Clean Energy
Board of Public Utilities
P.O. Box 350
Trenton, New Jersey 08625-0350

DAG
Todd Steadman
Division of Law
Dept. of Law & Public Safety
124 Halsey Street
P.O. Box 45029
Newark, New Jersey 07102

Susan Vercheak, DAG
Division of Law
Dept. of Law & Public Safety
124 Halsey Street
P.O. Box 45029
Newark, NJ 07102

DEP
Joseph Carpenter
NJDEP
P.O. Box 409
401 East State Street
Trenton, NJ 08625-0409

Dante DiPirro
NJDEP
P.O. Box 409
401 East State Street
Trenton, NJ 08625-0409

RATEPAYER ADVOCATE

Seema M. Singh, Acting
Ratepayer Advocate & Director
Division of Ratepayer Advocate
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, New Jersey 07102

Elaine Kaufman
Ratepayer Advocate & Director
Division of Ratepayer Advocate
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, New Jersey 07102

Kurt Lewandowski
Ratepayer Advocate & Director
Division of Ratepayer Advocate
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, New Jersey 07102

ATLANTIC CITY ELECTRIC

Mark Mucci, Esq.
LeBoeuf, Lamb, Greene &
MacRae
One Riverfront Plaza
Newark, NJ 07102

Walt Davis-79NC82
Atlantic City Electric
P.O. Box 9239
Newark, DE 19714-9293

JCP&L

Julie Friedberg, Esq.
Thelen Reid & Priest, LLP
65 Madison Avenue
Morristown, NJ 07960

Christopher W. Siebens
GPU Energy
2800 Pottsville Pike
P.O. Box 16001
Reading, PA 19640

Maura Watkins
JCP&L
P.O. Box 1911
300 Madison Av.
Morristown, NJ 07962

Kevin Connelly
JCP&L
P.O. Box 1911
300 Madison Av.
Morristown, NJ 07962

Scot Razze
JCP&L
P.O. Box 1911
300 Madison Av.
Morristown, NJ 07962

PSE&G

Fred Lynk
Public Service Electric & Gas Co
80 Park Plaza, T7
Newark, NJ 07102

Mark Brownstein
Public Service Electric & Gas Co
80 Park Plaza, T7
Newark, NJ 07102

Terrence Moran
Public Service Electric & Gas Co
80 Park Plaza, T7
Newark, NJ 07102

Steven Huber
Public Service Electric & Gas Co
80 Park Plaza, T7
Newark, NJ 07102

Calvin Ledford
Public Service Electric & Gas Co
80 Park Plaza, T7
Newark, NJ 07102

James Hough
Public Service Electric & Gas Co
80 Park Plaza, T7
Newark, NJ 07102

Gregory Eisenstark, Esq.
Assistant General Solicitor
PSEG Services Corporation
80 Park Plaza, T5G
Newark, NJ 07101

ROCKLAND

Rick Struck
Rockland Electric Company
390 West Route 59
Spring Valley, NY 10977

Rick Struck
Rockland Electric Company
390 West Route 59
Spring Valley, NY 10977

James C. Meyer, Esq.
Riker, Danzig, Scherer, Hyland &
Perretti, LLP
Headquarters Plaza
One Speedwell Avenue
Morristown, NJ 07962

NJ NATURAL GAS

Tracey Thayer
NJ Natural Gas Co.
1415 Wyckoff Rd.
PO Box 1464
Wall, NJ 07719

Anne Marie Peracchio
NJ Natural Gas Co.
1415 Wyckoff Rd.
PO Box 1464
Wall, NJ 07719

Marianne Harrell
NJ Natural Gas Co.
1415 Wyckoff Rd.
PO Box 1464
Wall, NJ 07719

NUI

Phil Germinario
NUI/Elizabethtown Gas Co.
P.O. Box 760
505 Route 202-206

Bedminster, NJ 07921

Patricia Keefe, Esq.
NUI/Elizabethtown Gas Co.
P.O. Box 760
505 Route 202-206
Bedminster, NJ 07921

SOUTH JERSEY GAS

Bruce Grossman
South Jersey Gas Co.
1 South Jersey Plaza
Folsom, NJ 08037

Steven Gabel
Gabel Associates
417 Denison Street
Highland Park, NJ 08904

Mally Becker
Gabel Associates
417 Denison Street
Highland Park, NJ 08904

Bob Chilton
Gabel Associates
417 Denison Street
Highland Park, NJ 08904

Mike Ambrosio
Mike Ambrosio & Associates
c/o Gabel Associates
417 Denison Street
Highland Park, NJ 08904

Scott Weiner, Senior Policy
Edward J. Bloustein School of
Planning & Public Policy
Rutgers, The State U of NJ
33 Livingston Avenue, Suite 300
New Brunswick, NJ
08901

Carey Johnson
Grafica
525 East Main Street
Chester, NJ 07930

Jason Bacharach
Grafica
525 East Main Street
Chester, NJ 07930

Maggie Bergin
Grafica
525 East Main Street
Chester, NJ 07930

Marianne Daniels
U.S. Department of Energy
The Wannamaker Bldg.
100 Penn Square East, Ste. 890
Philadelphia, PA 19107-3396

Amy McGinty
New Wind Energy
150 Strafford Avenue, Suite 110
Wayne, PA 19087

Brent Alderfer
New Wind Energy
150 Strafford Avenue, Suite 110
Wayne, PA 19087

Board of Public Utilities
Clean Power Choice Program
Service List

Brent Beerley
Community Energy
150 Strafford Avenue, Suite 110
Wayne, PA 19087

Eric Blank
New Wind Energy
150 Strafford Avenue, Suite 110
Wayne, PA 19087

James Torpey
Madison Energy Consultants
21 Ferndale Road
Madison, NJ 07940

George Behr
Energy Services Group
33 Riverside Drive, Suite 100
Pembroke, MA 02359

Mel Jones
Sterling Planet
3775 Mansell Road
Alpharetta, GA 30022

Steven Restivo
MWW
One Meadowlands Plaza
East Rutherford, NJ 07073

Lissette Rivera Hepp
MWW
One Meadowlands Plaza
East Rutherford, NJ 07073

Jeffrey Brown
Global Learning, Inc.
400 Union Avenue
Brielle, NJ 08730

Mark Hammer
Green Mountain Energy Co
3815 Capitol of Texas Hwy S.
Suite 100
Austin, TX 78704

Molly Hanlon
Green Mountain Energy Co
3815 Capitol of Texas Hwy S.
Suite 100
Austin, TX 78704

Steve Sunderhauf
Pepco Energy Services
1825 K Street NW Ste 400
Washington, DC 20006

Wayne A. Hudders
Pepco Energy Services
2000 K Street NW Ste 750
Washington, DC 20006

Dan Lieberman
CRS Presidio Bldg 49
P.O. Box 29512
San Francisco, CA 29512